

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF RICHLAND	County KALAMAZOO
Fiscal Year End 02/28/2007	Opinion Date May 7, 2007	Date Audit Report Submitted to State June 6, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

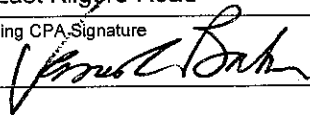
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe) SAS 112 report	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number 269-381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
		Zip 49002	
Authorizing CPA Signature 		Printed Name James C. Baker, CPA	License Number 1101010743

Village of Richland
Kalamazoo County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended February 28, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Village of Richland

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Village of Richland's (the Village) financial performance provides a narrative overview of the Village's financial activities for the fiscal year ended February 28, 2007. Please read it in conjunction with the Village's financial statements.

FINANCIAL HIGHLIGHTS

- The Village's total net assets increased by \$73,582 (12 percent) as a result of this year's activities.
- Of the \$703,781 total net assets reported, \$260,705 (37 percent) is available to be used to meet the Village's ongoing obligations to its citizens and customers.
- The General Fund's unreserved fund balance at the end of the fiscal year was \$243,271, which represents 64 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Village's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village, reporting the Village's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
 - Fiduciary fund statements account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide financial statements

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Village's net assets and how they have changed. Net assets (the difference between the Village's assets and liabilities) is one way to measure the Village's financial health, or position.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village, you need to consider additional nonfinancial factors such as changes in the Village's property tax base and the condition of the Village's capital assets.

Village of Richland
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The government-wide financial statements are in one category:

- *Governmental activities* - Most of the Village's basic services are included here, such as police and fire protection and general government. Property taxes and state grants finance most of these activities.

Fund financial statements

The fund financial statements provide more detailed information about the Village's most significant funds - not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Village Council establishes other funds to control and manage money for particular purposes (like the Drug Forfeitures Fund) or to show that it is properly using certain taxes and other revenues (like motor fuel taxes collected for the street funds).

The Village has two kinds of funds:

1. *Governmental funds.* Most of the Village's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.
2. *Fiduciary fund.* The Village reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Village of Richland
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$703,781, an increase of 12 percent compared to the prior year. Of this total, \$194,751 is invested in capital assets, net of related debt and \$248,325 is restricted for various purposes. Consequently, unrestricted net assets were \$260,705, or 37percent of the total.

Condensed financial information
Net Assets

	<i>Governmental activities</i>	
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 569,222	\$ 490,373
Capital assets	<u>337,312</u>	<u>388,463</u>
Total assets	<u>906,534</u>	<u>878,836</u>
Current and other liabilities	121,170	164,635
Long-term debt	<u>81,583</u>	<u>84,002</u>
Total liabilities	<u>202,753</u>	<u>248,637</u>
Net assets:		
Invested in capital assets, net of related debt	194,751	185,874
Restricted	248,325	232,815
Unrestricted	<u>260,705</u>	<u>211,510</u>
Total net assets	<u>\$ 703,781</u>	<u>\$ 630,199</u>

Governmental activities. Governmental activities increased the Village's net assets by \$73,582. The key factor for this increase was that current year revenues in excess of anticipated amounts were not converted to expanded or new activities. The decrease in charges for services (approximately \$53,000) was due to a decrease in building inspection activities, which was offset by a similar decrease in the related cost to perform inspections (part of public safety expense). The decrease in pubic safety expense was partially offset by an increase in police services, due to the addition of two officers.

The cost of all governmental activities this year was \$390,873. After subtracting the direct charges to those who directly benefited from the programs (\$57,586), and operating and capital grants and contributions (\$40,494), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$292,793.

Village of Richland
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in net assets. The Village's total revenues for 2007 were \$464,455. More than 65 percent of the Village's revenues come from property taxes and approximately 12 percent comes from charges for services.

The total cost of all the Village's programs for 2007, covering a wide range of services, totaled \$390,873. More than 41 percent of the Village's costs relate to public safety expenses and general government costs represent approximately 36 percent of all costs.

Condensed financial information
Changes in Net Assets

	<i>Governmental activities</i>	
	<u>2007</u>	<u>2006</u>
Program revenues:		
Charges for services	\$ 57,586	\$ 111,554
Operating grants and contributions	40,494	41,043
Capital grants and contributions	-	9,676
General revenues:		
Property taxes	302,895	288,748
State shared revenue	46,117	47,036
Other	17,363	11,962
Total revenues	<u>464,455</u>	<u>510,019</u>
Expenses:		
Legislative	4,887	4,610
General government	140,441	122,464
Public safety	160,282	188,220
Public works	59,647	74,160
Community and economic development	6,891	3,227
Culture and recreation	6,728	6,063
Debt service	11,997	14,966
Total expenses	<u>390,873</u>	<u>413,710</u>
Increase in net assets	<u>\$ 73,582</u>	<u>\$ 96,309</u>

Village of Richland
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental funds. As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$491,596, an increase of \$65,978 in comparison with the prior year.

The General Fund is the chief operating fund of the Village. At the end of the fiscal year, unreserved fund balance was \$243,271, which represents 64 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance increased by \$50,468 during the fiscal year, as spending did not keep pace with monies available.

Non-major governmental funds experienced an increase in fund balance of \$14,690 during the fiscal year, as spending of Act 51 monies for roads did not keep pace with monies available.

General fund budgetary highlights

Budgeted expenditures were increased \$41,536 during the year to reflect anticipated cost increases. General government - administration, public safety - police, and capital outlay budgeted expenditures were increased by \$11,100, \$12,000 and \$11,900, respectively, which accounts for a significant portion of the budget amendments. Ultimately, actual expenditures exceeded the amended budget by \$5,399, or only 1.4%. The building inspections activity experienced the most significant spending in excess of budget (\$20,342) as no amounts were budgeted for expenditures.

Capital assets and debt administration

Capital assets.

The Village's investment in capital assets for its governmental activities as of February 28, 2007, amounts to \$194,751 (net of accumulated depreciation and related debt). This investment includes a broad range of assets including infrastructure, buildings and equipment. The increase in the Village's net investment in capital assets for the current fiscal year was \$8,877.

	<i>Governmental activities, net of depreciation</i>
Land Improvements	\$ 1,650
Buildings and improvements	121,037
Equipment	72,441
Infrastructure	<u>81,206</u>
Totals	<u>\$ 276,334</u>

Major capital asset events during the current fiscal year included the purchase of a police cruiser including additional equipment for \$26,408.

More detailed information about the Village's capital assets is presented in Note 5 of the notes to the basic financial statements.

Village of Richland
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Long-term debt.

At the end of the fiscal year, the Village had debt outstanding in the amount of \$174,863 which represents a decrease of \$47,030 or 21 percent.

More detailed information about the Village's long-term liabilities is presented in Note 8 of the notes to the basic financial statements.

Economic condition and outlook

The Village of Richland is a residential community with a healthy commercial center located in Kalamazoo County, Michigan. The 2000 census showed a population of 593 and the most recent Census Bureau's population estimate is approximately 725. The Village's proximity to the Kalamazoo Metropolitan Area and its location on two state highways and near Interstate 94 and US 131 make it a desirable location for both residential and commercial development.

The Village has experienced recent residential development, and there is a thirty-two unit condominium development under construction now, and another of similar size planned for the near future. There is also a mixed commercial-residential development in the preliminary planning stages. Our taxable value has increased about ten-percent per year for the past several years, and that growth is expected to continue.

The Village is committed to the goal of fiscal conservatism while encouraging economic development and maintaining and developing its infrastructure and services. The Village will continue taking progressive steps to ensure proper utilization of resources and reinvesting revenues to ensure that the Village is operating at its peak efficiency.

Contacting the Village's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Rosemary Woodward, Village Clerk
Village of Richland
P.O. Box 1
Richland, Michigan 49083

Phone: (269) 629-9903

INDEPENDENT AUDITORS' REPORT

Village Council
Village of Richland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Richland, Michigan, as of February 28, 2007, and for the year then ended, which collectively comprise the Village's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Village of Richland, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Richland, Michigan, as of February 28, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Village of Richland, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Village of Richland, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

May 7, 2007

BASIC FINANCIAL STATEMENTS

Village of Richland
STATEMENT OF NET ASSETS
February 28, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 495,870
Receivables, net	62,934
Prepaid expenses	<u>10,418</u>
Total current assets	<u>569,222</u>
Noncurrent assets:	
Receivables, net	60,978
Capital assets, net of accumulated depreciation	<u>276,334</u>
Total noncurrent assets	<u>337,312</u>
Total assets	<u>906,534</u>
LIABILITIES	
Current liabilities:	
Payables	27,890
Current portion of long-term obligations	<u>32,302</u>
Total current liabilities	60,192
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>142,561</u>
Total liabilities	<u>202,753</u>
NET ASSETS	
Invested in capital assets, net of related debt	194,751
Restricted for:	
Public works	243,818
Debt service	4,507
Unrestricted	<u>260,705</u>
Total net assets	<u>\$ 703,781</u>

See notes to financial statements

Village of Richland
STATEMENT OF ACTIVITIES
Year ended February 28, 2007

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (expenses)</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>revenues and changes in net assets</u>
Governmental activities:					
Legislative	\$ 4,887	\$ -	\$ -	\$ -	\$ (4,887)
General government	140,441	-	-	-	(140,441)
Public safety	160,282	46,828	1,077	-	(112,377)
Public works	59,647	2,100	39,417	-	(18,130)
Recreation and culture	6,728	-	-	-	(6,728)
Community and economic development	6,891	-	-	-	(6,891)
Debt service - interest	<u>11,997</u>	<u>8,658</u>	<u>-</u>	<u>-</u>	<u>(3,339)</u>
Total governmental activities	<u>\$ 390,873</u>	<u>\$ 57,586</u>	<u>\$ 40,494</u>	<u>\$ -</u>	<u>(292,793)</u>
General revenues:					
					302,895
					46,117
					5,048
					<u>12,315</u>
				Total general revenues	<u>366,375</u>
				Change in net assets	73,582
				Net assets - beginning	<u>630,199</u>
				Net assets - ending	<u>\$ 703,781</u>

See notes to financial statements

Village of Richland
BALANCE SHEET - governmental funds
February 28, 2007

	<u>General</u>	<u>1987 Water</u>	<u>32nd Street Sewer Debt</u>
ASSETS			
Cash	\$ 254,350	\$ 94,535	\$ 499
Receivables	<u>22,501</u>	<u>-</u>	<u>38,480</u>
Total assets	<u>\$ 276,851</u>	<u>\$ 94,535</u>	<u>\$ 38,979</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 26,563	\$ -	\$ -
Deferred revenue	<u>7,017</u>	<u>-</u>	<u>38,480</u>
Total liabilities	<u>33,580</u>	<u>-</u>	<u>38,480</u>
Fund balances:			
Unreserved, undesignated	243,271	94,535	499
Unreserved, undesignated reported in nonmajor: Special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>243,271</u>	<u>94,535</u>	<u>499</u>
Total liabilities and fund balances	<u>\$ 276,851</u>	<u>\$ 94,535</u>	<u>\$ 38,979</u>

Total fund balances - governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.

Special assessments and taxes receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities*

<i>Bunkerhill Sewer Debt</i>	<i>Sewer Debt</i>	<i>Total nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ 2,179	\$ 1,829	\$ 142,478	\$ 495,870
<u>37,729</u>	<u>18,397</u>	<u>6,805</u>	<u>123,912</u>
<u>\$ 39,908</u>	<u>\$ 20,226</u>	<u>\$ 149,283</u>	<u>\$ 619,782</u>
\$ 695	\$ 632	\$ -	\$ 27,890
<u>37,034</u>	<u>17,765</u>	<u>-</u>	<u>100,296</u>
<u>37,729</u>	<u>18,397</u>	<u>-</u>	<u>128,186</u>
2,179	1,829	-	342,313
<u>-</u>	<u>-</u>	<u>149,283</u>	<u>149,283</u>
<u>2,179</u>	<u>1,829</u>	<u>149,283</u>	<u>491,596</u>
<u>\$ 39,908</u>	<u>\$ 20,226</u>	<u>\$ 149,283</u>	<u>\$ 619,782</u>
			\$ 491,596
			276,334
			10,418
			100,296
			<u>(174,863)</u>
			<u>\$ 703,781</u>

See notes to financial statements

Village of Richland**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -****governmental funds**

Year ended February 28, 2007

	<u>General</u>	<u>1987 Water</u>
REVENUES		
Taxes	\$ 306,189	\$ -
Licenses and permits	22,538	-
State grants	46,117	-
Charges for services	5,048	-
Fines and forfeitures	18,037	-
Interest and rentals	11,100	881
Other	9,062	-
	<hr/>	<hr/>
Total revenues	418,091	881
	<hr/>	<hr/>
EXPENDITURES		
Legislative	4,887	-
General government	139,305	-
Public safety	149,825	-
Public works	34,277	-
Recreation and culture	6,728	-
Community and economic development	6,891	-
Capital outlay	25,386	-
Debt service:		
Principal	10,361	-
Interest	1,953	-
	<hr/>	<hr/>
Total expenditures	379,613	-
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<hr/> 38,478 <hr/>	<hr/> 881 <hr/>
OTHER FINANCING SOURCES (USES)		
Loan proceeds	11,990	-
Transfers in	-	-
Transfers out	-	-
	<hr/>	<hr/>
Total other financing sources (uses)	11,990	-
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	50,468	881
FUND BALANCES - BEGINNING	<hr/> 192,803 <hr/>	<hr/> 93,654 <hr/>
FUND BALANCES - ENDING	<hr/> \$ 243,271 <hr/>	<hr/> \$ 94,535 <hr/>

<u>32nd Street Sewer Debt</u>	<u>Bunkerhill Sewer Debt</u>	<u>Sewer Debt</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 306,189
-	-	-	-	22,538
-	-	-	37,685	83,802
-	-	-	2,100	7,148
-	-	-	-	18,037
3,586	3,182	1,934	3,633	24,316
<u>21,071</u>	<u>14,093</u>	<u>9,448</u>	<u>-</u>	<u>53,674</u>
<u>24,657</u>	<u>17,275</u>	<u>11,382</u>	<u>43,418</u>	<u>515,704</u>
-	-	-	-	4,887
-	-	-	-	139,305
-	-	-	-	149,825
-	-	-	23,400	57,677
-	-	-	-	6,728
-	-	-	-	6,891
-	-	-	-	25,386
21,071	14,093	9,447	4,048	59,020
<u>3,570</u>	<u>3,276</u>	<u>1,918</u>	<u>1,280</u>	<u>11,997</u>
<u>24,641</u>	<u>17,369</u>	<u>11,365</u>	<u>28,728</u>	<u>461,716</u>
<u>16</u>	<u>(94)</u>	<u>17</u>	<u>14,690</u>	<u>53,988</u>
-	-	-	-	11,990
-	-	-	6,625	6,625
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,625)</u>	<u>(6,625)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,990</u>
16	(94)	17	14,690	65,978
<u>483</u>	<u>2,273</u>	<u>1,812</u>	<u>134,593</u>	<u>425,618</u>
<u>\$ 499</u>	<u>\$ 2,179</u>	<u>\$ 1,829</u>	<u>\$ 149,283</u>	<u>\$ 491,596</u>

See notes to financial statements

Village of Richland

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds (Continued)**

Year ended February 28, 2007

Net change in fund balances - total governmental funds	\$ 65,978
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Amounts reported for *governmental activities* in the statement of activities (page 5) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$26,408) exceeded depreciation (\$19,950) in the current period.	6,458
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Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	2,022
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Collections on special assessments receivable is a revenue in the governmental funds, but the collections reduce long-term receivables in the statement of net assets. This is the amount by which collections reduced special assessment receivable in the current period.	(44,612)
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Taxes receivable are not a current financial resource and, therefore, are deferred in the funds. This is the amount by which taxes receivable decreased in the current period.	(3,294)
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Creation of long-term obligations does not require the use of current financial resources in the governmental funds but increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but reduces long-term obligations in the statement of net assets. This is the amount by which repayments (\$59,020) exceeded obligations created (\$11,990) in the current period.	<u>47,030</u>
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Change in net assets	<u>\$ 73,582</u>
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Village of Richland
STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund*
February 28, 2007

ASSETS

Cash	\$ <u>2,857</u>
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LIABILITIES

Due to other governmental units	\$ <u>2,857</u>
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See notes to financial statements

Village of Richland
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Richland, Michigan (the Village), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Village. There are no component units, entities for which the Village is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Village. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal

Village of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):
period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The 1987 Water Fund accounts for the use of amounts charged to all Village property owners in 1987 for utility system project administered and owned by Gull Lake Sewer and Water Authority.

The 32nd Street Sewer Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt associated with a utility system project administered and owned by Gull Lake Sewer and Water Authority.

The Bunkerhill Sewer Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt associated with a utility system project administered and owned by Gull Lake Sewer and Water Authority.

The Sewer Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt associated with a utility system project administered and owned by Gull Lake Sewer and Water Authority.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance, subject to this same limitation. The Village has elected not to follow subsequent private-sector standards.

The Village reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

Village of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Village considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Village has elected to account for infrastructure assets prospectively, beginning March 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	3 - 10 years
Roads	40 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) Property tax revenue recognition - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before July 31, after which time the bill becomes delinquent and penalties and interest may be assessed by the Village. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Village levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

Village of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public safety	Fire	\$ 13,500	\$ 16,549	\$ (3,049)
		Building Inspections	-	20,342	(20,342)
	Public works	Motor vehicle pool	8,650	10,430	(1,780)
	Community and economic development	Planning and zoning	4,845	6,891	(2,046)
		Capital outlay	22,900	25,386	(2,486)

NOTE 3 - CASH:

The Village's cash balances at February 28, 2007, were as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Cash	\$ 495,870	\$ 2,857	\$ 498,727

State statutes and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Village's deposits are in accordance with statutory authority. At February 28, 2007, the Village had deposits with a carrying amount of \$498,727.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Village will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At February 28, 2007, \$119,411 of the Village's bank balances of \$508,777 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Village believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Village of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Village's individual major and nonmajor funds, in the aggregate, are as follows:

<i>Fund</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Inter- governmental</i>	<i>Totals</i>
General	\$ 7,017	\$ -	\$ 15,484	\$ 22,501
32nd Street Sewer	-	38,480	-	38,480
Bunkerhill Sewer	-	37,729	-	37,729
Sewer	-	18,397	-	18,397
Nonmajor funds	-	-	6,805	6,805
Totals	\$ 7,017	\$ 94,606	\$ 22,289	\$ 123,912
Noncurrent portion	\$ -	\$ 60,978	\$ -	\$ 60,978

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended February 28, 2007, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets being depreciated:				
Land improvements	\$ 11,000	\$ -	\$ -	\$ 11,000
Buildings and improvements	180,339	-	-	180,339
Equipment	161,252	26,408	-	187,660
Infrastructure	86,247	-	-	86,247
Subtotal	438,838	26,408	-	465,246
Less accumulated depreciation for:				
Land improvements	(8,800)	(550)	-	(9,350)
Buildings and improvements	(54,794)	(4,508)	-	(59,302)
Equipment	(102,483)	(12,736)	-	(115,219)
Infrastructure	(2,885)	(2,156)	-	(5,041)
Subtotal	(168,962)	(19,950)	-	(188,912)
Governmental activities capital assets, net	\$ 269,876	\$ 6,458	\$ -	\$ 276,334

Village of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Village as follows:

General government	\$ 4,180
Public safety	10,457
Public works	<u>5,313</u>
	<u>\$ 19,950</u>

NOTE 6 - PAYABLES:

Payables at February 28, 2007, consist of the following:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Deposits</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 4,545	\$ 702	\$ 2,000	\$ 19,316	\$ 26,563
Bunkerhill Sewer Debt	-	-	-	695	695
Sewer Debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>632</u>	<u>632</u>
Total	<u>\$ 4,545</u>	<u>\$ 702</u>	<u>\$ 2,000</u>	<u>\$ 20,643</u>	<u>\$ 27,890</u>

NOTE 7 - DEFERRED REVENUES:

Governmental funds report deferred revenues in connection with assets that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. As of year end, all amounts shown as deferred revenues have been deferred as they are not considered available to liquidate liabilities of the current period.

Village of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM LIABILITIES:

Long-term debt at February 28, 2007, is comprised of the following individual issues:

\$11,990 Note payable - Independent Bank, due in monthly installments of \$272, including interest at 4.20%, through June 2010	\$ 10,133
\$20,281 Contract payable - Kalamazoo County, Michigan, due in annual installments of \$2,737, plus interest at 1.80%, through January 2013	15,597
\$100,000 State Infrastructure Loan - due in annual installments of \$10,656, including interest at 4.00%, through September 2012	55,853

The Village has agreed to remit to the Gull Lake Sewer and Water Authority (the Authority) all principal and interest collections arising from special assessments levied on properties served by the Authority. In the event the Authority is unable to meet its debt service requirements, an assessment may be made against the Village. The Village has pledged its full faith and credit for the payment of any such deficiency incurred by the Authority. The specific contract balances are as follows:

Sewer special assessment district	17,766
Bunkerhill special assessment district	37,034
32nd Street special assessment district	<u>38,480</u>
Long-term debt at February 28, 2007	<u>\$ 174,863</u>

Long-term liability activity for the year ended February 28, 2007, is as follow:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Note payable, Fifth Third Bank	\$ 2,017	\$ -	\$ 2,017	\$ -	\$ -
Note payable, Independent Bank	-	11,990	1,857	10,133	2,891
Contract payable, Kalamazoo County	18,036	-	2,439	15,597	2,484
State Infrastructure Loan	63,949	-	8,096	55,853	8,420
Contracts payable, Authority:					
Sewer	27,213	-	9,447	17,766	5,922
Bunkerhill Sewer	51,127	-	14,093	37,034	6,172
32nd Street Sewer	<u>59,551</u>	<u>-</u>	<u>21,071</u>	<u>38,480</u>	<u>6,413</u>
Total long term liabilities	<u>\$ 221,893</u>	<u>\$ 11,990</u>	<u>\$ 59,020</u>	<u>\$ 174,863</u>	<u>\$ 32,302</u>

Village of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM LIABILITIES (Continued):

Debt service requirements at February 28, 2007, are as follows:

<i>Year end February 28:</i>	<u><i>Principal</i></u>	<u><i>Interest</i></u>
2008	32,302	8,688
2009	32,809	7,009
2010	33,337	5,307
2011	25,759	3,614
2012	25,106	2,419
2013	<u>25,550</u>	<u>1,218</u>
Totals	<u>\$ 174,863</u>	<u>\$ 28,255</u>

All debt is secured by the full faith and credit of the Village.

NOTE 9 - INTERFUND TRANSFERS:

For the year ended February 28, 2007, the composition of interfund transfers is as follows:

<u><i>Fund</i></u>	<u><i>Transfer in</i></u>	<u><i>Fund</i></u>	<u><i>Transfer out</i></u>
Local Street	<u>\$ 6,625</u>	Major Street	<u>\$ 6,625</u>

These transfers occurred to support operations of the Local Street Fund.

NOTE 10 - RISK MANAGEMENT:

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended February 28, 2007, is as follows:

Revenues	\$ 21,412
Expenses	<u>22,307</u>
Excess expenses over revenues	<u>\$ (895)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Village of Richland
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended February 28, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 295,500	\$ 295,500	\$ 306,189	\$ 10,689
Licenses and permits	2,050	2,050	22,538	20,488
State grants	47,000	47,000	46,117	(883)
Charges for service	5,000	5,000	5,048	48
Fines and forfeitures	12,000	12,000	18,037	6,037
Interest and rentals	7,500	7,500	11,100	3,600
Other	3,000	3,000	9,062	6,062
	<u>372,050</u>	<u>372,050</u>	<u>418,091</u>	<u>46,041</u>
EXPENDITURES				
Legislative	<u>7,215</u>	<u>5,716</u>	<u>4,887</u>	<u>829</u>
General government:				
Election	-	-	-	-
Clerk	20,455	20,455	20,379	76
Treasurer	11,845	11,845	11,841	4
Hall and grounds	39,940	39,940	29,599	10,341
Administration	69,000	80,100	77,486	2,614
	<u>141,240</u>	<u>152,340</u>	<u>139,305</u>	<u>13,035</u>
Public safety:				
Police	102,000	114,000	112,934	1,066
Fire	13,500	13,500	16,549	(3,049)
Building inspections	-	-	20,342	(20,342)
	<u>115,500</u>	<u>127,500</u>	<u>149,825</u>	<u>(22,325)</u>
Public works:				
Motor vehicle pool	7,650	8,650	10,430	(1,780)
Cable television	5,000	5,000	5,048	(48)
Trees and sidewalks	9,000	9,000	5,669	3,331
Street lighting	11,500	17,035	13,130	3,905
	<u>33,150</u>	<u>39,685</u>	<u>34,277</u>	<u>5,408</u>

Village of Richland**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended February 28, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Recreation and culture - park maintenance	<u>\$ 6,913</u>	<u>\$ 6,913</u>	<u>\$ 6,728</u>	<u>\$ 185</u>
Community and economic development - planning and zoning	<u>3,345</u>	<u>4,845</u>	<u>6,891</u>	<u>(2,046)</u>
Capital outlay	<u>11,000</u>	<u>22,900</u>	<u>25,386</u>	<u>(2,486)</u>
Debt service:				
Principal	<u>12,315</u>	<u>12,315</u>	<u>10,361</u>	<u>1,954</u>
Interest	<u>2,000</u>	<u>2,000</u>	<u>1,953</u>	<u>47</u>
Total expenditures	<u>332,678</u>	<u>374,214</u>	<u>379,613</u>	<u>(5,399)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>39,372</u>	<u>(2,164)</u>	<u>38,478</u>	<u>(40,642)</u>
OTHER FINANCING SOURCES/(USES):				
Transfer to Local Street Fund	<u>(11,208)</u>	<u>(11,208)</u>	<u>-</u>	<u>(11,208)</u>
Loan proceeds	<u>-</u>	<u>11,990</u>	<u>11,990</u>	<u>-</u>
Total financing sources/uses	<u>(11,208)</u>	<u>782</u>	<u>11,990</u>	<u>(11,208)</u>
NET CHANGE IN FUND BALANCES	<u>28,164</u>	<u>(1,382)</u>	<u>50,468</u>	<u>(51,850)</u>
FUND BALANCES - BEGINNING	<u>192,803</u>	<u>192,803</u>	<u>192,803</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 220,967</u>	<u>\$ 191,421</u>	<u>\$ 243,271</u>	<u>\$ (51,850)</u>

Village of Richland
BUDGETARY COMPARISON SCHEDULE - 1987 Water Fund
Year ended February 28, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Interest	<u>-</u>	<u>-</u>	<u>881</u>	<u>881</u>
Total revenues	-	-	881	881
EXPENDITURES				
Public works	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>881</u>	<u>881</u>
FUND BALANCES - BEGINNING	<u>93,654</u>	<u>93,654</u>	<u>93,654</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 93,654</u>	<u>\$ 93,654</u>	<u>\$ 94,535</u>	<u>\$ 881</u>

SUPPLEMENTARY INFORMATION

Village of Richland
COMBINING BALANCE SHEET - nonmajor governmental funds
February 28, 2007

	<i>Special revenue</i>				
	<i><u>Major Street</u></i>	<i><u>Local Street</u></i>	<i><u>Water Improvement</u></i>	<i><u>Sidewalk Improvement</u></i>	<i><u>Total</u></i>
ASSETS					
Cash	\$ 39,744	\$ 27,324	\$ 58,873	\$ 16,537	\$ 142,478
Receivables	<u>4,662</u>	<u>2,143</u>	<u>-</u>	<u>-</u>	<u>6,805</u>
Total assets	<u>\$ 44,406</u>	<u>\$ 29,467</u>	<u>\$ 58,873</u>	<u>\$ 16,537</u>	<u>\$ 149,283</u>
FUND BALANCE					
Unreserved, undesignated	<u>\$ 44,406</u>	<u>\$ 29,467</u>	<u>\$ 58,873</u>	<u>\$ 16,537</u>	<u>\$ 149,283</u>

Village of Richland

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended February 28, 2007

	Special revenue				
	Major Street	Local Street	Water Improvement	Sidewalk Improvement	Total
REVENUES					
State grants	\$ 25,814	\$ 11,871	\$ -	\$ -	\$ 37,685
Charges for services	-	-	2,100	-	2,100
Interest	863	891	1,433	446	3,633
Total revenues	26,677	12,762	3,533	446	43,418
EXPENDITURES					
Public works	11,267	7,849	4,284	-	23,400
Debt service:					
Principal	-	4,048	-	-	4,048
Interest	-	1,280	-	-	1,280
Total expenditures	11,267	13,177	4,284	-	28,728
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,410	(415)	(751)	446	14,690
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	(6,625)	6,625	-	-	-
NET CHANGE IN FUND BALANCES	8,785	6,210	(751)	446	14,690
FUND BALANCES - BEGINNING	35,621	23,257	59,624	16,091	134,593
FUND BALANCES - ENDING	\$ 44,406	\$ 29,467	\$ 58,873	\$ 16,537	\$ 149,283

**Members of the Village Council
Village of Richland, Michigan**

In planning and performing our audit of the financial statements of the Village of Richland as of and for the year ended February 28, 2007, in accordance with U.S. generally accepted auditing standards, we considered the Village of Richland, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Village does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the Village Council of the Village of Richland, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

May 7, 2007